J. R. S. IX-5]

Previous references.

G. 7 File No. 51 V 21

1922.

Serial Nos 1 & 2

(G. 7 ...).

Later references.

GB-21-304.328 & 363.

Preserve
Mrs
1-11-23

GENERAL AND REVENUE SECRETARIAT.

Preserved

Serial Nos. 2

Part B for December 1921

SUBJECT.

Comptroller's report on the operations connected with the 6¼% Sterling Loan of 1920.

P31

To { The Comptroller / Secs of Depts / Rev Comm } No 7 3124-33 / 8.12.12.21.

Reviews the Comptroller's report

GENERAL AND REVENUE SECRETARIAT

(GS)

NOTES.

File No. 57-21.

FILE HEADING.

Report on the operations connected with 6% V. State Loan of 1920

From

The Comptroller

No. 642/468-PD Dated 28. 9. 21. Received 26. 9. 21.

Diary No. 1689	Enclos.	Spare Copies.	Serial No. 1

BRIEF ABSTRACT OF LETTER.

Forwards the report on the operations connected with the 6% V. per cent State Loan of 1920

NOTES AND ORDERS.

DEWAN'S OFFICE. Rcvd. on Oct 27 1921 Reg. No. 2412

Paid slip's order.

Please put up a short review order "

Send with a draft review" for approval or other orders.

30/9/21 3/10

Dewan 1/4.10.21

1053 16/10

Dewan 24-10-21

Draft approved by the Dewan on 26-10-21

NSK 27.10.21

To Comptroller, Dc. of Bks & Rev. Cam. — Issued (1) Fair in blank (2) Verify 53 Halls. N 28/10

Ref. FC 3/24-33 dt. 12-21 Reviews the Comptroller's Govt.

NOTES—First Sheet.

10349

D 1689 (2)
G 751-21-1

Please address all future communications to the Comptroller to the Govt. of H. H. the Maharaja of Mysore.
In reply to this Comm. please refer to
No. 642/466 PD

OFFICE OF THE COMPTROLLER TO THE GOVERNMENT OF HIS HIGHNESS THE MAHARAJA OF MYSORE.

Dated, Bangalore, the xxx .September 1921.

2 REV. SECTT.
22 SEP 1921

FROM

L. Bistopanth Badami Esq., B.A.,
~~Mx.N.xxx.Kxxxxxxx.Rxx.xExxxxxx~~
Offg. Comptroller to the Government of His Highness the Maharaja of Mysore.

TO

M. N. Krishna Rao, Esq., B.A.,
Secretary to the Government of Mysore,
Financial *Department.*

SIR,

I have the honour to submit the following report on the operations connected with the 6½ per cent State Loan of 1920.

2. This loan was announced in the Birthday Session of the Representative Assembly held in May 1920 and the issue of the loan itself was notified in Notification No.Fl.8596-G.F.289-19-2 dated 29th June 1920.

Conditions of the Loan.

3. The important terms of the loan were -

(1) the period for which the loan was to run was 20 years from 1st October 1920;

(2) subscriptions to the loan were open up to 30th September 1920;

(3) the issue price was 99 per cent of the face value of the notes applied for, the balance of one per cent being allowed as discount;

(4) the loan was to be issued in the form of Promissory Notes of Rs 25/-, Rs 50/-, Rs 100/-, Rs 500/-, Rs 1,000/- and Rs 5,000/- and multiples thereof,

WD.0322—GPB—3,000—14-12-16

C. O. 42-Rec.—17]

....Department

191 .

FROM

M. N. KRISHNA RAO, ESQ., B.A.,

Offg. Comptroller to the Govt. of

H. H. the Maharaja of Mysore.

To

.....ESQ.,

Secretary to the Govt. of Mysore,

Dept.

Dated

Despatched

Received

No.....

Subject matter.

(5) the rate of interest allowed was 6¼ percent income tax free, which was ¼ per cent higher than that of the loan raised by the Government of India at the time, and

(6) subscriptions were open to the public within the Mysore State.

4. The loan was in the first instance restricted to the people in Mysore so that our operations might not interfere with those of the India Government, whose loan was opened for public subscription till 15th August 1920. Action was later on taken to invite subscriptions from outside the State also and a further Notification No.Fl.1560 dated 25th August 1920 was published, throwing the loan open to the whole of India. In this Notification the lowest denomination of Promissory Notes to be issued was reduced from Rs 25/- to Rs 12½. Banks, Co-operative Societies and other institutions which largely afforded facilities for saving are not, in spite of the steady growth in the number of those institutions, within easy reach of the masses and it was therefore felt that there would be a keen demand for this security, if it was made available to the public in very small denominations. -- The security yielded a comparatively high rate of interest and the issue of a 12½ Rupee note was calculated to afford even the poorer classes an opportunity for investment in the New Loan. -- The expectations with which this measure was adopted were more than realised by the very large number of applicants for this -- denomination.

Concessions to the public.

5. Soon after the terms of the loan were published, there was a persistent demand from the holders of the State Loan Notes - 4% and 5½% Loans of 1906 and 1919 - that they should be allowed facilities to convert their holdings in these securities into the New Loan Notes which carried a higher rate of interest. In order

to

to meet their wishes, Government were pleased to decide that the 4% paper which would in the ordinary course mature for payment on 1st October 1921 should be received at 98½% of its face value and that the 5½% paper which was due to be discharged on 1st October 1929 or at any time before 1st October 1944 after three months' notice in the Gazette should be accepted at 90% of its value and at 95% if the holder also tendered an equal amount in cash and thus applied for atleast twice the amount of the 5½% paper tendered by him for conversion. The face value of the bonds so converted are shown below -

		Rs.
4% State Loan Note of 1906-07	...	1,89,500
5½% Conversion Loan Notes	...	7,07,200

6. During the period of the war, Government had granted special concessions and encouraged the people of the State to subscribe to the various War Loans raised by the Government of India for the successful prosecution of the War and the bonds of the various War Loans were therefore held by a large number of people in the State. Many of them were anxious to convert their holdings into the New State Loan paper and wanted that the War Bonds should be accepted as subscription to the State Loan in the same way as they were being accepted by the Government of India for their 6 percent loan which was then being raised by them. It was not merely their sense of patriotism or the higher rate of interest which prompted the desire in them for conversion. In cases of succession or other legal difficulty they had to put themselves in communication with the Hon'ble the Resident's Treasury at Bangalore or the Public Debt Offices, Madras and Calcutta, and even small holders had to submit themselves to the trouble and inconvenience of obtaining a succession certificate from the Hon'ble the Resident. These were practical difficulties which to the ordinary ryot who could hardly sign his name in a document, appeared to be unsurmountable. These difficulties would not exist to the

same

same extent in the case of paper relating to loans raised in Mysore, where the language of the people and their habits were well-known to the officers dealing with those securities and where the requisite court certificate in the few cases in which it might be insisted upon could be obtained much more easily. Government were pleased to order that the various War Bonds should be --- accepted at the prevailing market rate.

7. How far the concession was appreciated by the people is evident from the fact that subscriptions to the loan in the form of War Bonds amounted to Rs 13,17,125/-. It was noticed while examining the bonds that in a very large number of cases interest had not been drawn by the holders for any half year, that some had not exchanged even their warrants for bonds and that the number of cases in which the chain of endorsements was irregular and the endorsements had not been properly attested or certified was -- equally large. The newly-created Public Debt Section of this office had therefore to enter into lengthy correspondence with the parties, the Taluk authorities and the Public Debt Offices of -- British India to cure these defects and to secure a clear title for the Government of Mysore. But for the concession so generously extended by Government, it would not have been possible for the people in the State to realise the value of these bonds early. In spite of these difficulties, almost all the bonds have been accepted and it is only in a handful of cases that the applications had to be rejected.

8. As in a few cases, investors who were willing to subscribe to the loan had their available surplus locked up in fixed deposits mostly in the banks of Mysore and Madras and wanted these receipts to be accepted as subscription, Government were also pleased to authorise me to accept them if the banks recognised the transfer. The banks readily agreed to do this and the deposits thus received

as

as subscription through the Bank of Madras amounted to Rs 78,112½. The amount of fixed deposits transferred to the loan account through the Bank of Mysore is not ascertainable as such cases were dealt with direct by the bank, which allowed the concession of withdrawal of the fixed deposits before the expiry of their term for investment in the loan.

Facilities afforded to Government Officers for subscribing.

9. For the convenience of officials in the service of the State and the employees of District Boards and Municipalities who desired to subscribe to the loan and pay the issue price in instalments, Government in their Notification No.Fl.895-G.F.289-19-34 dated 30th July 1920 sanctioned a scheme whereby the issue price was given as an advance to the officials on their tendering 3% of the face value of the notes. The advance was to be repaid in 24 monthly instalments, by deduction from their pay. The minimum amount of advances which was Rs 100/- according to this Notification was subsequently reduced to Rs 50/- in Notification No.1462-G.F.289-19-67 dated 20th August 1920 and the maximum amount to be advanced was fixed at Rs 5,000/-, the total amount advanced being generally limited to six months' pay of each official. The total number of applications received according to this scheme was 3,121 for the issue of notes of a face value of Rs 4,78,862-8-0 distributed as shown below:-

Face value of notes applied for	No.of applications.
Rs 50/-	1,236
Rs 62½ to Rs 100/-	1,227
Rs 112½ to Rs 500/-	556
Rs 512½ to Rs 1,000/-	63
Rs 1,012½ to Rs 5,000/-	39
Total ..	3,121

The largest number of applications was for bonds of Rs 50/- under this scheme, and these were received mostly from the --- Bangalore and Tumkur Districts.

10. Government were also pleased to permit the subscribers to the State Provident Fund to invest the balance at their credit on 1st July 1920 in the loan and accorded sanction in some cases to discontinue their subscriptions to the Fund during the period they were paying the instalments towards the advance taken by them for the loan. In the case of those officers who would complete their 55th year on or before 31st December 1923, the Insurance Office was allowed to invest in the loan the funds that would accrue to them on maturity of their policies. Facilities were also given for the investment of the commuted amounts of a quarter of the pension of retired officials. The face value of the notes purchased in the above cases is as shown below -

Provident Fund	...	Rs. 64,700
State Life Insurance Fund	...	85,612½
Commuted value of pensions	...	49,450
	Rs.	1,99,762½

Paper Design and Printing.

11. There was hardly any time after the issue of the loan was decided to arrange for the manufacture of special water-lined paper and to get special dies prepared for printing the form of the notes The paper available locally was examined and it was decided that the paper, which had been obtained for manufacturing court fee and other stamp papers and which was in stock in the Stamp Superintendent's Office should be used for printing the forms. Large quantities of paper bearing the water-mark "Government of Mysore" had been ordered to be destroyed as they were not useful to the manufacture of stamp paper. The whole quantity which had not yet been destroyed was made use of in the preparation of the notes of the various denominations.

12. The Press had also no time to fully equip itself for the kind

(8)

kind of work connected with the printing of bonds and they had to rely entirely on the materials then available. With these the Superintendent of the Press Mr. D.B. Ramachandra Mudaliar and the Assistant Superintendent Mr. B. Srinivasa Iyengar managed to get a neat design which was at the same time not easy of -- imitation. My acknowledgments are due to Mr. D.B. Ramachandra Mudaliar, Superintendent and Mr. B. Srinivasa Iyengar, Assistant Superintendent who made special arrangements for expediting the printing of the bonds of various denominations at very short notice. Mr. B.S. Raghavendra Rao, Assistant Commissioner who was at the time undergoing training in this office was placed for about a month on special duty in the Press. He had the -- custody of the water-marked paper and of the bonds during the various stages of printing.

Prevailing adverse conditions.

13. There was considerable anxiety at the time regarding the success of the loan as the times were hardly favourable for the flotation of a loan of one crore of rupees, the loan itself being on an unprecedentedly large scale. ~~Asxxxxxx~~ The restriction on the formation of new companies having been relaxed by the -- Government of India, a large number of limited companies had been floated which had absorbed large amounts of capital. There was also a boom in the share market and investment in shares was very popular. Besides these the Government of India was raising a large loan at an attractive rate of interest and it was also well-known that the Bombay Corporation would announce a large loan carrying a better rate of interest. Even locally, two large companies - the Krishnarajendra Mills and the Mysore Industrial Bank, were being then floated.

14. In spite of these adverse conditions there was a ready response to the loan, the loan being over-subscribed. It no doubt took some time for the people to appreciate the terms and the

advantages of the new loan but no sooner were these recognised than the subscriptions began to flow in heavily, the increase in the collections was marked during the closing days of the period of the Loan, and even after the loan was closed, there was considerable demand and there would have been a large flow of subscriptions had it been kept open a little longer. As a matter of fact although the receipt of subscriptions to the loan was practically closed on 30th September 1920, some applications which were received beyond that date by the Banks of Mysore and Madras and in the Comptroller's office for adjustment were admitted under orders including those of the State Officers who desired to invest the commuted value of their pensions in the loan.

Localities from which applications were received.

15. In addition to the subscriptions received from the public within the State including the Civil and Military Station of Bangalore, subscriptions were received from the Madras, Bombay and Bengal Presidencies, the Central Provinces, the United Provinces of Agra and Oudh, Assam, Secunderabad and the Nabha State.

Number of applications.

16. The total number of applications to the loan under the ordinary scheme in which the full amount of issue price was paid by the applicants was 41,507 which is distributed as under in accordance with the face value of the notes applied for:-

Face value of notes applied for.	No. of applications
Rs. 12½ ---	19,258
Rs. 25/- ---	9,464
Rs. 37½ to 87½ ...	5,018
Rs. 100/- to 487½ ...	5,344
Rs. 500/- to 987½ ...	890
Rs. 1000/- to 4987½ ..	1,099
Rs. 5000/- to Rs. 9,987½	219
Rs. 10000/- to Rs. 100,000	197
above Rs. 1,00,000 ...	18
	41,507

17. It will be seen from the above that the smaller denominations attracted a large number of subscribers with small means.

denominations attracted a large number of subscribers with small means.

Total amount of loan subscriptions.

18. The total amount of loan subscribed for was ---- Rs 1,38,27,000/- which was Rs 38,27,000/- in excess of the amount called for. The forms in which the subscriptions were received are given below:-

	Rs
(i) Cash, Savings Banks Deposits, Fixed Deposits, War Bonds of 1920 (cashed) and cheques on recognised banks	1,12,65,550
(ii) 4 percent State Loan Notes of 1906-07	1,89,500
(iii) 5½ percent Conversion Loan Notes of 1919-1920	7,07,200
(iv) War Bonds (1921 to 1928) ...	9,86,125
(v) State Life Insurance Fund ...	85,612½
(vi) Provident Fund	64,700
(vii) Commuted value of pensions ...	49,450
(viii) Advance Scheme applications ...	4,78,862½
	1,38,27,000

19. The amounts subscribed for the loan at the several agencies employed for collecting subscriptions thereto are shown in the subjoined statement:-

	Rs
Government Treasuries	60,27,687½
The Bank of Mysore Ltd	53,33,650
The Bank of Madras	13,96,150
The Bank of Bombay	33,725
The National Bank, Madras	56,700
The Eastern Bank Ltd., Calcutta ...	96,900
The Eastern Bank Ltd., Bombay ...	12,025
Messrs. Huson Todd & Co., ...	500
The Comptroller	18,69,662½
Total Rs	1,38,27,000

Subscriptions to the Loan by Districts -

20. The following statement shows the total amount of loan subscribed for under the Ordinary Scheme and the Advance Scheme received in the several Treasuries of the State:-

Name of District	Amount subscribed for under the Ordinary Scheme.	Amount subscribed for under the -- Advance Scheme.
Bangalore	15,71,400	1,59,900
Kolar	6,13,325	36,512½
Tumkur	7,45,975	77,400
Mysore	9,31,437½	72,262½
Hassan	3,09,025	20,575
Kadur	1,91,175	30,237½
Shimoga	5,95,962½	46,625
Chitaldrug	5,90,525	35,350
Total Rs.	55,48,825	4,78,862½

Work done by the Banks

21. It will be seen that the subscriptions through the Bank of Mysore aggregates 40% of the total amount of subscriptions to the Loan. The services rendered in this connection by Mr.P.Subba Rao, the Offg. Manager, were recognised by the award of a Public Service Medal during the last Dasara Durbar. The flow of subscriptions through the Bank was facilitated partly by the Bank's advance scheme thrown open to the public, the terms of which were similar to that of the advance scheme started by Government and partly by the Bank's ready acceptance to discharge the fixed deposits though their term had not expired for investment in the loan. The details of subscriptions to the loan received through the Mysore Bank are furnished below:-

I	Bank's own subscription		
	(i) In cash	5,00,000	Rs.
	(ii) In Securities	7,27,125	12,27,125
II	Subscriptions received from the Public		
	(i) In cash	17,44,575	
	(ii) In Securities	3,45,200	20,89,775
III	Bank's Advance Scheme		20,16,750
	Total	Rs.	53,33,650

22. The Bank has agreed to treat the notes of this loan as first class cover for all advances made by the Bank. By this

arrangement the free negotiation of the notes within the State will be facilitated. Mention has also to be made of the assistance rendered by the Bank of Madras, Bangalore, in collecting subscriptions to the extent of Rs 1,80,950 mainly from the Civil and Military Station, Bangalore, and by the Head Office of the Bank in arranging for the flow ~~xg~~ of subscriptions from the Head Office and other branches to the extent of Rs 1,57,150/-.

Work done by Treasuries

23. As this was the first time a large loan was floated in the State and the Treasuries had not the requisite knowledge or experience, the procedure to be followed by the Treasuries was made as simple as possible the bulk of the work being done in this office. The Treasuries were required to recover from the applicants only the issue price at 99 per cent and to send the applications -- received every day to this office with covering lists signed by the Treasury Officers. Arrangements were made for payment of anticipatory interest by cheques issued by this office. For the issue price paid, the parties were given temporary receipts which they were later on required to surrender when the notes issued in their favour were ready for delivery at the Treasuries where they desired the payment of periodical interest. In respect of applications tendered at the Banks the same procedure was prescribed but the notes issued in favour of the applicants were arranged to be sent either directly to them or through the Banks concerned, in cases where such an arrangement was more suitable Even though the work entrusted to the Treasuries was reduced to the lowest possible minimum, yet it was found that in many of the treasuries the work was not done satisfactorily. The circular instructions issued by this office were not in many cases followed, the work of this office having thereby considerably increased. The more important of the defects and omissions are noted below:-

(1) Some treasuries did not send the applications with the credit statements day by day but sent them with the Treasury accounts.

(2) Some did not send the credit statements till called for.

(3) Applications were received in duplicate and triplicate one of which was sent with the daily list and the other with a monthly statement, thus causing considerable confusion in this office. This was facilitated by some of the application forms being printed in trifoil form in the Bangalore District, the Deputy Commissioner having been authorised to get the forms --- printed at a private press, as sufficient stock of application forms could not be printed in time in the Government Press.

(4) The Treasuries did not properly scrutinise the applications and satisfy themselves that all the necessary information was furnished.

(5) The Government of India and Mysore Bonds accepted as -- subscription to the loan were not properly examined by the Treasuries and in many cases even the last endorsement in favour of the Dewan of Mysore was not properly worded.

(6) In some cases, a single application was received on behalf of several applicants of a village instead of one from each.

24. Some of these defects might possibly be attributed to the fact that this was the first occasion on which the treasuries had to deal with loan work of such a large magnitude butthe real cause is the inefficiency of the Treasury staff.

Work in the Account Office.

25. The unsatisfactory work of the treasuries was to no small extent responsible for the increased work in the account office and it partly also explains the delay in the issue of the scrips. -- Apart from this, there were the following circumstances, which by enormously increasing the work of this office also contributed to the delay.

(i) This was the first large loan floated in the State and this office had little or no time to prepare itself for the work connected therewith, and to equip itself with the required establishment and materials for the formation of a Public Debt Section.

(ii) Several schemes in connection with the loan were introduced at successive later stages after the loan was floated and the Account Office had to adjust itself to the altered conditions necessitated by these developments to prescribe the procedure to be followed by the treasuries and this office, issue timely instructions, and get the necessary registers printed. The work was rendered all the more arduous as at each stage, this office had to take the initiative, without any definite rules of procedure already laid down for guidance and without previous experience which would have facilitated the disposal of doubtful questions which must necessarily arise in working out the details.

(iii) It was decided to issue notes of the Rs. 12½/- denomination after the establishment proposed was sanctioned and it was not possible then to gauge the increased number of applications that would flow as a result of this step. As a matter of fact the work entailed was enormous while the establishment sanctioned was quite inadequate.

(iv) Want of suitable accommodation which rendered it impossible to locate the Section that had to deal with loan work in a single room, the delay in getting the forms required printed at the Press due to the strike in the Press and other causes. Our not having adopted some of the mechanical devices and the labour-saving appliances, which we propose to do for the next loan, also considerably retarded work and contributed to the delay in the issue of the scrip.

26. In the circumstances explained above, it was not possible without any data or statistics either to gauge correctly the volume of work to be done or the establishment required for it.

(16)

28. The payment of anticipatory interest direct by this office in a work of such magnitude involving the examination and disposal of over 40,000 applications, the majority of which were for notes of small denominations, was retarded in the earlier stages, and the delay in the receipt of the bond-forms from the Press also contributed to the delay in the issue of the notes to the public. As has already been explained, the acceptance of War Bonds as subscription entailed considerable additional work on the office. There were in all 1215 cases and in more than 75% of them the office had to enter into lengthy correspondence before the bonds could be accepted. The calculation of interest to the date of tender and the realisation of interest for the previous half years, threw considerable work on the office.

Number of Notes issued.

29. The magnitude of work involved in writing up and despatching the notes after getting them signed by the Dewan, enfacing them for payment of interest at the Treasuries, can be gauged from the following details showing the number of notes under each denomination that were issued in connection with the loan inclusive of the cases under the advance scheme in which the instalments have been fully paid up.

Denomination.	No. of pieces issued.
Rs. 12- 8- 0	19,803
" 25- 0- 0	10,645
" 50- 0- 0	5,454
" 100- 0- 0	15,264
" 500- 0- 0	2,403
"1000- 0- 0	3,590
5000- 0- 0	456
10000- 0- 0	131
25000- 0- 0	5
50000- 0- 0	12
100000- 0- 0	10
Total	57,773

30. In spite of the magnitude of work and the overwhelming difficulties under which this office had to labour in getting

(Mr. Natesa Iyer was subsequently entrusted with the work of examining the bonds to be issued, until he was) ------- (18)

Section from 5th July 1920 to 13th November 1921 when in Government Order No.Fl.4700/G.F.143-20-2 dated 21st January 1921 he was deputed to the Public Debt Office, Madras, and the Office of the Controller of Currency, for study of Public Debt work and from 14th November 1920 Mr. M. Venkatanaranappa, Assistant Comptroller, was then placed in charge of the Section. Mr. Venkatanaranappa continued to be in charge till he was in Government Order No.10685-7/IC 21-20, dated 5th May 1921 appointed Accountant of the Iron Works and deputed to Jamshedpur. From the above date, Mr. B.S. Raghavendra Rao, Assistant Commissioner attached to this office, has been holding charge of the Public Debt Section. All the three officers took the keenest interest in the work, devoting their whole-hearted energies, and discharged the responsible duty assigned to them with zeal and assiduity notwithstanding the insurmountable difficulties they had to encounter.

33. I need hardly add that the work connected with our last Loan operations resulted in a very heavy strain which was felt not only by the Public Debt Section, but by the whole office. The withdrawal of hands largely from other working sections for loan work entailed enormous pressure for the clearance of arrears which had in consequence accumulated. The office had to pass through a phase of special difficulties and the period was one of real grave anxiety. The strain on the officials was unduly heavy and leave applications were being received in large numbers which I could neither withhold nor reject for fear of the possibility of a breakdown.

34. The Superintendent of the Public Debt Section and a large portion of his staff detailed for Loan Work had to work late after sunset on working days and to attend office on Sundays and holidays and the services rendered by them deserve recognition and additional

(19)

additional remuneration. I am therefore recommending to Government separately a select few for the grant of an honorarium on the basis of a month's pay for the period they worked in the Section as recompense for their hard work.

I have the honour to be,

Sir,

Your most obedient servant,

Offg. Comptroller.

CV/20-9

Proceedings of the Government of His Highness
the Maharaja of Mysore.

3276
9-11-21.

R e a d :-

Letter No. 642/466 P.D dated 20th September 1921 from the Comptroller submitting his report on the loan operations of 1920.

(to be printed in extenso)

O R D E R No.

Dated Bangalore November 1921.

Government have read the Comptroller's report on the 1920 loan operations with interest.

2. The issue of 1920 was the first large loan floated by the State and in spite of the adverse conditions which affected the money market at the time of floatation, the loan was an unqualified success and was over subscribed.

3. The loan was offered to subscribers within the State in the first instance and with the permission of the Government of India it was thrown open to investors outside the State by - Notification No. Fl. 1560 dated 25th August 1920.

4. Government observe with satisfaction that almost the entire loan was subscribed by persons within the State, the subscriptions from outside the State amounting to about 5¼ lakhs out of a total collection of 138¼ lakhs.

5. An important feature of the loan was the issue of bonds of low denominations for Rs. 12/8 and 25 for which the number

of applications received was so large as 19,258 and 9468 respectively out of the total number of 41507 received for all denominations of bonds.

6. In view of the very large No. of applications that had to be dealt with by the Audit office and of the fact that the bonds had to be got printed after the loan was announced, there was unavoidable delay in the issue of bonds in some cases.

7. It is reported that there are some applications still pending on account of legal and other difficulties and the Comptroller is requested to take very early action for their disposal.

8. The loan entailed very heavy work on the Audit Office and the Treasuries and Government are glad to observe that these Offices satisfactorily discharged the duties entrusted to them.

9. Government highly appreciate the help and co-operation rendered by the Bank of Mysore in the floatation of the loan by granting advances on easy terms to intending investors in the loan and by securing subscriptions amounting to as much as Rs. 53 lakhs.

Proof & Receipt received

By/ M. N. Krishna Rao.

Financial Secretary to Government.

To

The Comptroller, Mysore Government.
The Deputy Commissioners of Districts.
The Revenue Commissioner in Mysore.

Press 50 or 100 copies should be sent early, and the matter kept standing for making up Supplement. By Express

file of the Loan of 1920.

By. Financial Secretary

TS.

Proceedings of the Government of His Highness the Maharaja of Mysore.

R e a d :-

Letter No. 642/466 P.D. dated 20th September 1921 from the Comptroller submitting his report on the loan operations of 1920.

(to be printed in extenso)

O R D E R No. M 2124-33 Der

Dated 12 October 1921.

Government have read the Comptroller's report on the 1920 loan operations with interest.

2. The issue of 1920 was the first large loan floated by the state and in spite of the adverse conditions which affected the money market at the time of floatation, the loan was ~~quite~~ an unqualified success and was over subscribed.

3. The loan was offered to subscribers within the State in the first instance and with the ~~kind~~ permission of the Government of India it was thrown open to investors outside the State by ~~a~~ Notification No C.M. 1560 dated 25th August 1920.

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6. In view of the very large No. of applications that had to be dealt with by the Audit office and of the fact that the bonds had to be got printed after the loan was announced there ~~has been~~ unavoidable delay in the issue of bonds

(27)

in some cases.

6. It is reported that there are ~~3 6~~ some applications still pending ~~disposal of which~~ On acct of legal and other difficulties and, ~~218 are from the public the rest relating to the investments on behalf of~~ many ~~institutions.~~

7. The Comptroller is requested to take very early action for their disposal ~~all pending applications and for ensuring early delivery of Bonds to the subscribers.~~

8. The loan entailed very heavy work on the Audit office and the Treasuries and Government are glad to observe that these ~~several~~ officers satisfactorily discharged the duties entrusted to them.

9. Government highly appreciate the help and cooperation rendered by the Bank of Mysore in the floatation of the loan granting -- advances on easy terms to intending investors in the loan, ~~besides purchasing a big block of the loan out of its own funds.~~ and by securing subscriptions amounting to as much as Rs 53 lakhs.

26.10.21

14.10.21

Financial Secretary to Govt.

To

14/10/21

The Comptroller to Government.
The Deputy Commissioners of Districts.
The Revenue Commissioner in Mysore.

copy to manager of Mys Bank Bank.

FS.

Government of His Highness the Maharaja of Mysore.

GENERAL AND REVENUE DEPARTMENTS.

G. O. No. Fl. 3124-33—G. F. 51-21-2, dated 12th December 1921.

Loan Operations of 1920.

Reviews the—.

READ—

Letter No. 642-466—P. D.; dated 20th September 1921, from the Comptroller, submitting his report on the loan operations of 1920.

(Printed in extenso.)

ORDER NO. FL. 3124-33—G. F. 51-21-2, DATED 12TH DECEMBER 1921.

Government have read the Comptroller's report on the 1920 loan operations with interest.

2. The issue of 1920 was the first large loan floated by the State and in spite of the adverse conditions which affected the money market at the time of floatation, the loan was an unqualified success and was oversubscribed.

3. The loan was offered to subscribers within the State in the first instance and with the permission of the Government of India it was thrown open to investors outside the State by Notification No. Fl. 1560, dated 25th August 1920.

4. Government observe with satisfaction that almost the entire loan was subscribed by persons within the State, the subscriptions from outside the State amounting to about 5¼ lakhs out of a total collection of 138¼ lakhs.

5. An important feature of the loan was the issue of bonds of low denominations for Rs. 12-8-0 and 25 for which the number of applications received was so large as 19,258 and 9,468, respectively, out of the total number of 41,507 received for all denominations of bonds.

6. In view of the very large number of applications that had to be dealt with by the audit office and of the fact that the bonds had to be got printed after the loan was announced, there was unavoidable delay in the issue of bonds in some cases.

7. It is reported that there are some applications still pending on account of legal and other difficulties and the Comptroller is requested to take very early action for their disposal.

8. The loan entailed very heavy work on the Audit Office and Treasuries and Government are glad to observe that these offices satisfactorily discharged the duties entrusted to them.

9. Government highly appreciate the help and co-operation rendered by the Bank of Mysore in the floatation of the loan by granting advances on easy terms to intending investors in the loan and by securing subscriptions amounting to as much as Rs. 53 lakhs.

M. N. KRISHNA RAO,
Financial Secretary to Government.

To—The Comptroller, Mysore Government.
The Deputy Commissioners of Districts.
The Revenue Commissioner in Mysore.

Exd.—C. R.

No. Fl. 3124-33—G. F. 51-21-2, dated 12th December 1921

Letter No. 642-466—P. D., dated Bangalore, the 22nd September 1921, from L. Bistopanth Badami, Esq., B.A., Officiating Comptroller to the Government of His Highness the Maharaja of Mysore, to M. N. Krishna Rao, Esq., B.A., Secretary to the Government of Mysore, Financial Department.

I have the honour to submit the following report on the operations connected with the 6¼ per cent State Loan of 1920.

2. This loan was announced in the Birthday Session of the Representative Assembly held in May 1920, and the issue of the loan itself was notified in Notification No. Fl. 8596—G. F. 289-19-2, dated 29th June 1920.

3. *Conditions of the loan.*—The important terms of the loan were—

(1) the period for which the loan was to run was 20 years from 1st October 1920 ;—
(2) subscriptions to the loan were open up to 30th September 1920;
(3) the issue price was 99 per cent of the face value of the notes applied for, the balance of one per cent being allowed as discount ;
(4) the loan was to be issued in the form of Promissory Notes of Rs. 25, Rs. 50, Rs. 100, Rs. 500, Rs. 1,000 and Rs. 5,000 and multiples thereof,
(5) the rate of interest allowed was 6¼ per cent income-tax free, which was ¼ per cent higher than that of the loan raised by the Government of India at the time, and
(6) subscriptions were open to the public within the Mysore State.

4. The loan was in the first instance restricted to the people in Mysore so that our operations might not interfere with those of the India Government, whose loan was open for public subscription till 15th August 1920. Action was, later on, taken to invite subscriptions from outside the State also and a further Notification No. Fl. 1560, dated 25th August 1920 was published, throwing the loan open to the whole of India. In this notification the lowest denomination of Promissory Notes to be issued was reduced from Rs. 25 to Rs. 12-8-0. Banks, Co-operative Societies and other institutions which largely afforded facilities for saving are not, in spite of the steady growth in the number of those institutions, within easy reach of the masses and it was therefore felt that there would be a keen demand for this security, if it was made available to the public in very small denominations. The security yielded a comparatively high rate of interest and the issue of a 12-8-0 Rupee note was calculated to afford even the poorer classes an opportunity for investment in the new loan. The expectations with which this measure was adopted were more than realised by the very large number of applicants for this denomination.

5. *Concessions to the public.*—Soon after the terms of the loan were published, there was a persistent demand from the holders of the State Loan Notes 4 per cent and 5½ per cent Loans of 1906 and 1919—that they should be allowed facilities to convert their holdings in these securities into the New Loan Notes which carried a higher rate of interest. In order to meet their wishes, Government were pleased to decide that the 4 per cent paper which would in the ordinary course mature for payment on 1st October 1921, should be received at 98½ per cent of its face value and that the 5½ per cent paper which was due to be discharged on 1st October 1929 or at any time before 1st October 1944 after three months' notice in the Gazette should be accepted at 90 per cent of its value and at 95 per cent if the holder also tendered an equal amount in cash and thus applied for at least twice the amount of the 5½ per cent paper tendered by him for conversion. The face value of the bonds so converted are shown below:—

4	per cent State Loan Note of 1906-07	.. Rs. 1,89,500
5½	,, Conversion Loan Notes	.. ,, 7,07,200

6. During the period of the war, Government had granted special concessions and encouraged the people of the State to subscribe to the various War Loans raised by the Government of India for the successful prosecution of the War and the bonds of the various War Loans were therefore held by a large number of people in the State. Many of them were anxious to convert their holdings into the New State Loan paper and wanted that the War Bonds should be accepted as subscription to the State Loan in the same way as they were being accepted by the Government of India for their 6 per cent loan which was then being raised by them. It was not merely their sense of patriotism or the higher rate of interest which prompted the desire in them for conversion. In cases of succession or other legal difficulty they had to put themselves in communication with the Hon'ble the Resident's Treasury at Bangalore or the Public Debt Offices, Madras and Calcutta, and even small holders had to submit themselves to the trouble and inconvenience of obtaining a succession certificate from the Hon'ble the Resident. These were practical difficulties which to the ordinary ryot who could hardly sign his name in a document, appeared to be unsurmountable. These difficulties would not exist to the same extent in the case of paper relating to loans raised in Mysore, where the language of the people and their habits

were well-known to the officers dealing with those securities and where the requisite court certificate in the few cases in which it might be insisted upon could be obtained much more easily. Government were pleased to order that the various War Bonds should be accepted at the prevailing market rate.

7. How far the concession was appreciated by the people is evident from the fact that subscriptions to the loan in the form of War Bonds amounted to Rs. 13,17,125. It was noticed while examining the bonds that in a very large number of cases interest had not been drawn by the holders for any half year, that some had not exchanged even their warrants for bonds and that the number of cases in which the chain of endorsements was irregular and the endorsements had not been properly attested or certified was equally large. The newly-created Public Debt Section of this office had therefore to enter into lengthy correspondence with the parties, the Taluk authorities and the Public Debt Offices of British India to cure these defects and to secure a clear title for the Government of Mysore. But for the concession so generously extended by Government, it would not have been possible for the people in the State to realise the value of these bonds early. In spite of these difficulties, almost all the bonds have been accepted and it is only in a handful of cases that the applications had to be rejected.

8. As in a few cases, investors who were willing to subscribe to the loan had their available surplus locked up in fixed deposits mostly in the Banks of Mysore and Madras and wanted these receipts to be accepted as subscription, Government were also pleased to authorise me to accept them if the banks recognised the transfer. The banks readily agreed to do this and the deposits thus received as subscription through the Bank of Madras amounted to Rs. 78,112½. The amount of fixed deposits transferred to the loan account through the Bank of Mysore is not ascertainable as such cases were dealt with direct by the bank, which allowed the concession of withdrawal of the fixed deposits before the expiry of their term for investment in the loan.

9. *Facilities afforded to Government officers for subscribing.*—For the convenience of officials in the service of the State and the employees of District Boards and Municipalities who desired to subscribe to the loan and pay the issue price in instalments, Government in their Notification No. Fl. 895—G. F. 289-19-34, dated 30th July 1920, sanctioned a scheme whereby the issue price was given as an advance to the officials on their tendering 3 per cent of the face value of the notes. The advance was to be repaid in 24 monthly instalments, by deduction from their pay. The minimum amount of advances which was Rs. 100, according to this Notification was subsequently reduced to Rs. 50 in Notification No. 1462—G. F. 289-19-67, dated 20th August 1920, and the maximum amount to be advanced was fixed at Rs. 5,000, the total amount advanced being generally limited to six months' pay of each official. The total number of applications received according to this scheme was 3,121 for the issue of notes of a face value of Rs. 4,78,862-8-0 distributed as shown below :—

Face value of notes applied for Rs.	Number of applications
50	1,236
62½ to 100	1,227
112½ to 500	556
512½ to 1,000	63
1,012½ to 5,000	39
Total	3,121

The largest number of applications was for bonds of Rs. 50 under this scheme, and these were received mostly from the Bangalore and Tumkur Districts.

10. Government were also pleased to permit the subscribers to the State Provident Fund to invest the balance at their credit on 1st July 1920 in the loan and accorded sanction in some cases to discontinue their subscriptions to the Fund during the period they were paying the instalments towards the advance taken by them for the loan. In the case of those officers who would complete their 55th year on or before 31st December 1923, the Insurance Office was allowed to invest in the loan the funds that would accrue to them on maturity of their policies. Facilities were also given for the investment of the commuted amounts of a quarter of the pension of retired officials. The face value of the notes purchased in the above cases is as shown below:—

	Rs.
Provident Fund	64,700
State Life Insurance Fund	85,612½
Commuted value of pensions	49,450
Total	1,99,762½

11. *Paper design and printing.*—There was hardly any time after the issue of the loan was decided to arrange for the manufacture of special water-lined paper and to get special dies prepared for printing the form of the notes. The paper available locally was examined and it was decided that the paper, which had been obtained for manufacturing court-fee and other stamp papers and which was in stock in the Stamp Superintendent's Office should be used for printing the forms. Large quantities of paper bearing the water-mark "Government of Mysore" had been ordered to be destroyed as they were not useful to the manufacture of stamp paper. The whole quantity which had not yet been destroyed was made use of in the preparation of the notes of the various denominations.

12. The Press had also no time to fully equip itself for the kind of work connected with the printing of bonds and they had to rely entirely on the materials then available. With these the Superintendent of the Press Mr. D. B. Ramachandra Mudaliar and the Assistant Superintendent, Mr. B. Srinivasa Iyengar managed to get a neat design which was at the same time not easy of imitation. My acknowledgments are due to Mr. D. B. Ramachandra Mudaliar, Superintendent, and Mr. B. Srinivasa Iyengar, Assistant Superintendent, who made special arrangements for expediting the printing of the bonds of various denominations at very short notice. Mr. B. S. Raghavendra Rao, Assistant Commissioner, who was at the time undergoing training in this office was placed for about a month on special duty in the Press. He had the custody of the water-marked paper and of the bonds during the various stages of printing.

13. *Prevailing adverse conditions.*—There was considerable anxiety at the time regarding the success of the loan as the times were hardly favourable for the flotation of a loan of one crore of rupees, the loan itself being on an unprecedentedly large scale. The restriction on the formation of new companies having been relaxed by the Government of India, a large number of limited companies had been floated which had absorbed large amounts of capital. There was also a boom in the share market and investment in shares was very popular. Besides these the Government of India was raising a large loan at an attractive rate of interest and it was also well-known that the Bombay Corporation would announce a large loan carrying a better rate of interest. Even locally, two large companies—the Krishnarajendra Mills and the Mysore Industrial Bank, were being then floated.

14. In spite of these adverse conditions there was a ready response to the loan, the loan being over-subscribed. It no doubt took some time for the people to appreciate the terms and the advantages of the new loan but no sooner were these recognised than the subscriptions began to flow in heavily, the increase in the collections was marked during the closing days of the period of the Loan, and even after the loan was closed, there was considerable demand and there would have been a large flow of subscriptions had it been kept open a little longer. As a matter of fact although the receipt of subscriptions to the loan was practically closed on 30th September 1920, some applications which were received beyond that date by the Banks of Mysore and Madras and in the Comptroller's office for adjustment were admitted under orders including those of the State Officers who desired to invest the commuted value of their pensions in the loan.

15. *Localities from which applications are received.*—In addition to the subscriptions received from the public within the State including the Civil and Military Station of Bangalore, subscriptions were received from the Madras, Bombay and Bengal Presidencies the Central Provinces, the United Provinces of Agra and Oudh, Assam, Secunderabad and the Nabha State.

16. *Number of applications.*—The total number of applications to the loan under the ordinary scheme in which the full amount of issue price was paid by the applicants was 41,507 which is distributed as under in accordance with the face value of the notes applied for :—

Face value of notes applied for Rs.	Number of applications
12½	19,258
25	9,464
37½ to 87½	5,018
100 to 487½	5,344
500 to 987½	890
1,000 to 4,987½	1,099
5,000 to 9,987½	219
10,000 to 100,000	197
1,00,000 and above	18
	41,507

(28)

NO. FL. 3124-33—G. F. 51-21-2, DATED 12TH DECEMBER 1921.

17. It will be seen from the above that the smaller denominations attracted a large number of subscribers with small means.

18. *Total amount of loan subscriptions.*—The total amount of loan subscribed for was Rs. 1,38,27,000 which was Rs. 38,27,000 in excess of the amount called for. The forms in which the subscriptions were received are given below:—

	Rs.
(i) Cash Savings Banks Deposits, Fixed Deposits, War Bonds of 1920 (cashed) and cheques on recognised banks ..	1,12,65,550
(ii) 4 per cent State Loan Notes of 1906-07 ..	1,89,500
(iii) 5½ per cent Conversion Loan Notes of 1919-1920 ..	7,07,200
(iv) War Bonds (1921 to 1928)	9,86,125
(v) State Life Insurance Fund	85,612½
(vi) Provident Fund.	64,700
(vii) Commuted value of pensions	49,450
(viii) Advance Scheme applications	4,78,862½
Total Rs. ..	1,38,27,000

19. The amounts subscribed for the loan at the several agencies employed for collecting subscriptions thereto are shown in the subjoined statement:—

	Rs.
Government Treasuries	60,27,687½
The Bank of Mysore, Ltd.	53,33,650
The Bank of Madras	13,96,150
The Bank of Bombay	33,725
The National Bank, Madras	56,700
The Eastern Bank, Ltd., Calcutta	96,900
The Eastern Bank, Ltd., Bombay	12,025
Messrs. Huson Todd & Co.	500
The Comptroller	18,69,662½
Total Rs. ..	1,38,27,000

20. *Subscriptions to the Loan by districts.*—The following statement shows the total amount of loan subscribed for under the Ordinary Scheme and the Advance Scheme received in the several Treasuries of the State:—

Name of district	Amount subscribed for under the Ordinary Scheme Rs.	Amount subscribed for under the Advance Scheme Rs.
Bangalore	15,71,400	1,59,900
Kolar	6,13,325	36,512½
Tumkur	7,45,975	77,400
Mysore	9,31,437½	72,262½
Hassan	3,09,025	20,575
Kadur	1,91,175	30,237½
Shimoga	5,95,962½	46,625
Chitaldrug	5,90,525	35,350
Total Rs. ...	55,48,825	Rs. 4,78,862½

21. *Work done by the Banks.*—It will be seen that the subscriptions through the Bank of Mysore aggregates 40 per cent of the total amount of subscriptions to the Loan. The services rendered in this connection by Mr. P. Subba Rao, the Offg. Manager, were recognised by the award of a Public Service Medal during the last Dasara Durbar. The flow of subscriptions through the Bank was facilitated partly by the Bank's advance scheme thrown open to the public, the terms of which were similar to that of the advance scheme started by Government and partly by the Bank's ready acceptance to discharge the fixed deposits though their term had not expired for investment in the loan. The details of subscriptions to the loan received through the Mysore Bank are furnished below:—

			Rs.
I	*Bank's own subscription*—		
	(i) In cash 5,00,000		
	(ii) In Securities 7,27,125 ..		12,27,125
II	*Subscriptions received from the Public*—		
	(i) In cash ..	17,44,575	
	(ii) In Securities ..	3,45,200	20,89,775
III	*Bank's Advance Scheme*— ..	..	20,16,750
	Total ..		53,33,650

22. The Bank has agreed to treat the notes of this loan as first class cover for all advances made by the Bank. By this arrangement the free negotiation of the notes within the State will be facilitated. Mention has also to be made of the assistance rendered by the Bank of Madras, Bangalore, in collecting subscriptions to the extent of Rs. 1,80,950 mainly from the Civil and Military Station, Bangalore, and by the Head Office of the Bank in arranging for the flow of subscriptions from the Head Office and other branches to the extent of Rs. 1,57,150.

23. *Work done by Treasuries.*—As this was the first time a large loan was floated in the State and the Treasuries had not the requisite knowledge or experience, the procedure to be followed by the Treasuries was made as simple as possible the bulk of the work being done in this office. The Treasuries were required to recover from the applicants only the issue price at 99 per cent and to send the applications received every day to this office with covering lists signed by the Treasury Officers. Arrangements were made for payment of anticipatory interest by cheques issued by this office. For the issue price paid, the parties were given temporary receipts which they were later on required to surrender when the notes issued in their favour were ready for delivery at the Treasuries where they desired the payment of periodical interest. In respect of applications tendered at the Banks the same procedure was prescribed but the notes issued in favour of the applicants were arranged to be sent either directly to them or through the Banks concerned, in cases where such an arrangement was more suitable. Even though the work entrusted to the Treasuries was reduced to the lowest possible minimum, yet it was found that in many of the treasuries the work was not done satisfactorily. The circular instructions issued by this office were not in many cases followed, the work of this office having thereby considerably increased. The more important of the defects and omissions are noted below:—

(1) Some Treasuries did not send the applications with the credit statements day by day but sent them with the Treasury accounts.

(2) Some did not send the credit statements till called for.

(3) Applications were received in duplicate and triplicate one of which was sent with the daily list and the other with a monthly statement, thus causing considerable confusion in this office. This was facilitated by some of the application forms being printed in trifoil form in the Bangalore District, the Deputy Commissioner having been authorised to get the forms printed at a private press, as sufficient stock of application forms could not be printed in time in the Government Press.

(4) The Treasuries did not properly scrutinise the applications and satisfy themselves that all the necessary information was furnished.

(5) The Government of India and Mysore Bonds accepted as subscription to the loan were not properly examined by the Treasuries and in many cases even the last endorsement in favour of the Dewan of Mysore was not properly worded.

(6) In some cases, a single application was received on behalf of several applicants of a village instead of one from each.

24. Some of these defects might possibly be attributed to the fact that this was the first occasion on which the treasuries had to deal with loan work of such a large magnitude but the real cause is the inefficiency of the Treasury staff.

25. *Work in the Account Office.*—The unsatisfactory work of the Treasuries was to no small extent responsible for the increased work in the account office and it partly also explains the delay in the issue of the scrips. Apart from this, there were the following circumstances, which by enormously increasing the work of this office also contributed to the delay.

(*i*) This was the first large loan floated in the State and this office had little or no time to prepare itself for the work connected therewith, and to equip itself with the required establishment and materials for the formation of a Public Debt section.

(*ii*) Several schemes in connection with the loan were introduced at successive later stages after the loan was floated and the Account Office had to adjust itself to the altered conditions necessitated by these developments to prescribe the procedure to be followed by the treasuries and this office, issue timely instructions, and get the necessary registers printed. The work was rendered all the more arduous as at each stage this office had to take the initiative, without any definite rules of procedure already laid down for guidance and without previous experience which would have facilitated the disposal of doubtful questions which must necessarily arise in working out the details.

(*iii*) It was decided to issue notes of the Rs. 12½ denomination after the establishment proposed was sanctioned and it was not possible then to gauge the increased number of applications that would flow as a result of this step. As a matter of fact the work entailed was enormous while the establishment sanctioned was quite inadequate.

(iv) Want of suitable accommodation which rendered it impossible to locate the Section that had to deal with loan work in a single room, the delay in getting the forms required printed at the Press due to the strike in the Press and other causes. Our not having adopted some of the mechanical devices and the labour saving appliances, which we propose to do for the next loan also considerably retarded work and contributed to the delay in the issue of the scrip.

26. In the circumstances explained above, it was not possible without any data or statistics either to gauge correctly the volume of work to be done or the establishment required for it. Frequent references to Government were consequently rendered necessary for increased staff to get through the work. (But this was consequently rendered necessary for increased staff to get through the work.) But this was eventually found to be far short of requirements. Notwithstanding the trying circumstances in which I was placed, I considered it inexpedient to go up to Government with fresh proposals for additional temporary establishment especially at a time when owing to financial stringency Government were contemplating retrenchments and reduction of expenditure on all sides. I therefore arranged for the services of men from other sections being largely utilised to get through the work of registration and writing out bonds and I had to adopt this very inconvenient course even at the risk of the work in other Sections falling into arrears and to some extent getting dislocated, as the work in connection with the loan, in which the interests of the public were directly involved, had to be completed as expeditiously as possible. Special arrangements had also to be made for the whole office being kept open during the last Christmas and New Year Holidays exclusively for loan work, when the audit of interest payments made by the treasuries and the writing out of cheques for anticipatory interest payments made by the treasuries and the writing out of cheques for anticipatory interest due in cases where it was not paid by the treasuries themselves, was distributed to all the men in the office. The Superintendents of the several Sections spared no pains to see the work pushed to completion and the Gazetted Officers cheerfully cooperated with me in rendering every possible aid. I feel it my duty to express my grateful acknowledgments in this respect for their services in this behalf.

27. All the Assistant Commissioners under training were, during the months of December 1920, January, February and March 1921, put on the work of examination and despatch of bonds.

28. The payment of anticipatory interest direct by this office in a work of such magnitude involving the examination and disposal of over 40,000 applications, the majority of which were for notes of small denominations, was retarded in the earlier stages, and the delay in the receipt of the bond-forms from the Press also contributed to the delay in the issue of the notes to the public. As has already been explained, the acceptance of War Bonds as subscription entailed considerable additional work on the office. There were in all 1,215 cases and in more than 75 per cent of them the office had to enter into lengthy correspondence before the bonds could be accepted. The calculation of interest to the date of tender and the realisation of interest for the previous half years, threw considerable work on the office.

29. *Number of Notes issued.*—The magnitude of work involved in writing up and despatching the notes after getting them signed by the Dewan, enfacing them for payment of interest at the Treasuries, can be gauged from the following details showing the number of notes under each denomination that were issued in connection with the loan inclusive of the cases under the advance scheme in which the instalments have been fully paid up.

Denomination.			No. of pieces issued.
Rs.	a.	p.	
12	8	0	19,803
25	0	0	10,645
50	0	0	5,454
100	0	0	15,264
500	0	0	2,403
1000	0	0	3,590
5000	0	0	456
10000	0	0	131
25000	0	0	5
50000	0	0	12
100000	0	0	10
		Total	57,773

30. In spite of the magnitude of work and the overwhelming difficulties under which this office had to labour in getting through it, it was managed very economically. The temporary staff sanctioned from time to time cost the Government Rs. 11,907-9-9 and this

is considerably less than $\frac{1}{8}$ per cent of the amount of the total loan subscriptions.

In British India when large loans are floated, blocks of securities are made out in the name of Banks and the Banks are allowed a commission of $\frac{1}{8}$ per cent to endorse these over to subscribers and to account to Government for them. But in our case, the whole work was done by us. The introduction of the lower denominations added very much more to the magnitude of the work but in spite of this the work has been pushed throug at a very low cost to Government.

31. *Pending applications.*—I have dwelt at some length on the various difficulties experienced by this office in order to explain the delay that occurred in the issue of the scrip to the parties. The total number of applications still pending disposal is 366, of which 218 have been received from the public and the remaining 148 relate to investments on behalf of Muzrai institutions. The latter will be disposed of on receipt of detailed information from the Muzrai Superintendent regarding the amounts to be invested on behalf of several institutions in the loan. A detailed list of pending cases has been published in the Gazette and the Deputy Commissioners and Amildars concerned requested to expedite the return of replies on objections raised by this office.

Parties have also been intimated as to the reason for delay in the issue of the scrip and requested to send up very early the replies to the objections raised in their cases.

32. Mr. G. S Natesa Iyer who was appointed to officiate as Assistant Comptroller in Government Notification No. Fl. 824—G. F. 2-20, dated 28th July 1920, was in charge of the newly-formed Public Debt Section from 5th July 1920 to 13th November 1921. Mr. Natesa Iyer was subsequently entrusted with the work of examining the bonds to be issued, until he was in Government Order No. Fl. 4700—G. F. 143-20-2, dated 21st January 1921, he was deputed to the Public Debt Office, Madras, and the Office of the Controller of Currency, for study of Public Debt work and from 14th November 1920 Mr. M. Venkatanaranappa, Assistant Comptroller, was then placed in charge of the Section. Mr. Venkatanaranappa continued to be in charge till he was in Government Order No. 10685-7—I. C. 21-20, dated 5th May 1921, appointed Accountant of the Iron Works and deputed to Jamshedpur. From the above date Mr. B. S. Raghavendra Rao, Assistant Commissioner attached to this office, has been holding charge of the Public Debt Section. All the three officers took the keenest interest in the work, devoting their whole-hearted energies, and discharged the responsible duty assigned to them with zeal and assiduity notwithstanding the insurmountable difficulties they had to encounter.

33. I need hardly add that the work connected with our last Loan operations resulted in a very heavy strain which was felt not only by the Public Debt Section, but by the whole office. The withdrawal of hands largely from other working sections for loan work entailed enormous pressure for the clearance of arrears which had in consequence accumulated. The office had to pass through a phase of special difficulties and the period was one of real grave anxiety. The strain on the officials was unduly heavy and leave applications were being received in large numbers which I could neither withheld nor reject for fear of the possibility of a break down.

34. The Superintendent of the Public Debt Section, and a large portion of his staff detailed for Loan Work had to work late after sunset on working days and to attend office on Sundays and holidays and the services rendered by them deserve recognition and additional remuneration. I am therefore recommending to Government separately a select few for the grant of an honorarium on the basis of a month's pay for the period they worked in the Section as recompense for their hard work.

W D 945—GPB—3-1-22—370